

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 03 TEL AVIV 004775

SIPDIS

E.O. 12958: DECL: 07/29/2015

TAGS: [ECON](#) [KWBG](#) [EAD](#) [PREL](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [ISRAELI](#) [PALESTINIAN](#) [AFFAIRS](#)

SUBJECT: GAZAN BUSINESS STRUGGLES WITH DISENGAGEMENT
PREPARATIONS

Classified By: Deputy Chief of Mission Gene A. Cretz for reasons 1.4 (b)
) and (d)

1. (C) Summary: Gazan private sector contacts are on edge over current GOI-PA negotiations regarding the post-disengagement border crossings, arguing that without freedom of movement at Karni, Erez, and Rafah terminals, the Gazan economy will not survive Israel's withdrawal. Business leaders believe that any "lockdown" of the Gaza Strip in the run-up to and during disengagement will further harm manufacturing and construction enterprises already hampered by a recently tightened closure regime. Several contacts have expressed concern over what they view as counterproductive political disagreements between the GOI and the PA on crossings, especially the nature of door-to-door cargo shipment and "safe passage" between Gaza and the West Bank. Hanan Taha of Paltrade emphasized that the private sector "does not care" how the parties resolve their differences as long as Gazan goods and people are able to move in and out of the Strip, and even urged the PA to accept the GOI's preference for free-circulating trailers rather than Palestinian trucks moving through Green Line Israel. Housing engineer Jawdat al-Khoudry of the Palestinian Business Association (PBA) disagreed with what he views as the donor community's insistence on removing settlement rubble to Egypt, asserting that the private sector can generate significant employment by combining rubble from the settlement houses with already-existing Gazan rubble to build roads and mid-rise housing. While Taha and PBA Chairman Mohammed Yazgi gave rare praise to the PA for its efforts to curb violence and streamline procedures on the Gazan side of Karni terminal, Khoudry alleged that the Ministry of Civil Affairs has distorted the distribution of one-year "businessman permits," giving the cards to colleagues and personal friends of Ministry officials who do not qualify under the criteria agreed to by the GOI and the PA. End summary.

Freedom of Movement Still Primary

2. (C) While Gazan private sector contacts continue to profess ignorance of most aspects of disengagement planning, many are keenly aware of GOI-PA coordination on border crossings, arguing that the crossings regime will make or break the Gazan economy. Hanan Taha of PalTrade told Econoff July 27 that because Gaza's local market is relatively small, the post-disengagement economy will be almost solely dependent on increased exports of agricultural produce, furniture, and textiles to the West Bank and EU countries, requiring GOI guarantees on the free movement of goods out of the Strip. Housing engineer and board member of the Palestinian Business Association (PBA) Jawdat al-Khoudry (please protect) concurred, arguing that while "everyone" from the donor community to Israeli economists have predicted that the Gazan construction sector will boom immediately following disengagement, growth could be significantly hampered if companies are unable to import aggregates and potential investors are not assured that their materials and personnel will be able to move freely.

"Lockdown" Threatens Business

3. Taha argued that what she termed the recently tightened closure regime has weakened the private sector and rendered it unable to prepare for possible lockdown of the Gaza Strip during withdrawal. "We don't know whether it will be for two days or two months, and nobody can stock up on supplies because of the closures," she explained. While Israeli products and Gazan exports now often move through Karni terminal in under three days, several contacts noted that West Bank imports are still regularly delayed for two weeks or more. PBA Chairman and 7-Up Gaza CEO Mohammed Yazgi said that the closure at Abu Kholi junction, now entering its third week, has cut him off from the Rafah and Khan Yunis markets that comprise over 40% of Pepsi sales, and Khoudry pointed out that the price of a ton of imported construction aggregates has risen to USD 10, more than triple global market price. Any additional measures could "destroy" the economy, Khoudry continued, causing thousands of layoffs at a crucial time. To ensure the survival of private enterprise

during the lockdown period, he said, it is imperative that Karni terminal remain functioning at least at its current level, and that Erez reopen for Palestinians at least 1-2 days a week.

Politics Has No Place in Crossings Discussions

14. (C) Taha expressed her concern that the GOI-PA negotiating teams are getting stuck on divisive issues with regard to crossings, asserting that the Gazan private sector "does not care about the politics of the crossings" as long as Gazan exports are assured. On door-to-door cargo transport, she said that she understands GOI reservations about Palestinian trucks inside Green Line Israel and believes the PA should accept free-circulating trailers, which will sufficiently address private sector needs. (Note: The GOI and the PA sides have both accepted, in principle, the long-term goal of door-to-door movement, with both sides still discussing how to improve the back-to-back system in the interim. Such an improved back-to-back system may involve the use of trailers and containers that can move between the West Bank, Israel, and Gaza, with new truck cabs hooking up to the trailers at crossing points. End note.) Khoudry concurred that "for business, there are no conditions on whether the link to the West Bank is a train or a sunken road -- any passage is a good passage." Khoudry claimed that real estate prices in Bayt Hanoun have already increased nearly 70 percent, thanks to a rumor that the link will originate there.

Gaza is Ready for Rubble

15. (C) Khoudry said he fears that the GOI, the PA, and the donors are only willing to consider removal of rubble from the demolished settlement houses to Egypt, despite the fact that it could require up to 80,000 trips and cost some USD 80 million. In conjunction with the German consulting company GTZ, the PBA compiled a report on how to combine settlement rubble with approximately 10 million cubic meters of already-existing rubble generated by IDF incursions and Intifada activities. "Existing Gazan rubble and settlement rubble should be viewed as one problem with one solution," he said, explaining that it could be used in road and mid-rise housing construction, potentially creating thousands of jobs in the short term. (Note: World Bank country director Nigel Roberts told Emboffs July 28 that light demolition of the houses could leave up to 77 percent usable rubble, and that PA Civil Affairs Minister Dahlan agreed in principle to employ this in construction. End note.)

Private Sector Contacts: PA Fighting Terror,
Misusing Business Permits

16. (C) While private sector contacts have in the past been quick to blame Gazan economic woes at least in part on PA inefficiencies, recent discussions have yielded praise for PA efforts in the run-up to disengagement. Yazgi emphasized that the PA is "very serious about closing the door on terrorism," and argued that PA President Abbas has been unable to deliver quality-of-life improvements to Palestinians because the GOI has not yielded on any key humanitarian issues. Taha credited the PA with shortening wait times for Gazan exports at Karni, citing a new system that allows representatives from sectoral unions to submit shipment coordination requests to the Ministry of National Economy three days in advance. This procedure enables greater accountability and consistency than the old system, she explained, in which representatives dealt directly with the security services on the ground at Karni, a process open to inconsistencies and potential corruption.

17. (C) Khoudry (please protect) countered these positive assessments, however, claiming that Deputy Minister of Civil Affairs Naser Sarraj had distorted the process by which Gazan Palestinians receive "businessman cards," one-year permits enabling regular entry into Israel and expedited passage through Erez crossing for qualified business leaders. Khoudry claimed that Sarraj, with the blessing of Civil Affairs Minister Dahlan, provided dozens of cards to personal friends and contacts, including "journalists, a UN employee, a mid-level PA employee, doctors and dentists in private practice, and colleagues' wives" with unclear connections to businesses inside the Erez Industrial Zone, none of whom qualify for the cards under the criteria agreed to by the Israeli MoD and the PA. Khoudry said he confronted Dahlan, who reportedly called these examples "small mistakes" and argued that he did not have the capacity to follow up.

Visit Embassy Tel Aviv's Classified Website:
<http://www.state.sgov.gov/p/nea/telaviv>

You can also access this site through the State Department's
Classified SIPRNET website.

KURTZER